Summary of Rural Consumer Choice Plan to Secure Universal Service and Promote Local and Long Distance Choices for Rural America

- Increase SLC caps to $6.50 to the same levels as for price cap LECs. Effective January 1, 2002, residential and single line business SLC caps would be $5.00, and multiline business SLC caps would be $9.20. Residential and single line business SLC caps would be phased up according to the same schedule as price cap LECs, reaching $6.50 in July 2003.
- Implement "catch-up" access reforms:
  - Reallocate local switch line ports to common line. As a proxy, use 30% of local switching.
  - Reallocate residual TIC to common line.
  - Reallocate marketing to common line.
  - Reallocate GSF to "other billing and collection."
  - Recover ILEC universal service contributions through an end user charge (codifying *COMSAT v. FCC*).
- Total revenue requirement for non-price cap LECs continues to be determined according to existing Rate-of-Return formulas
- Create a High Cost Fund $\text{III}_{\text{(CommonLine)}}$ to support study area average common line costs above $6.50 per line per month for residential and single line business lines, and $9.20 per line per month for multiline business lines. This support would be disaggregated and targeted pursuant to the FCC's RTF Order (Fourteenth Report & Order, CC 96-45), subject to pending petitions for reconsideration. Support is provided to all ETCs on a per line basis. Until residential and single line business SLC caps reach $6.50, the difference in costs between the applicable cap and $6.50 per line per month will be recovered through a transitional CCL charge assessed per existing rules.
- Create a High Cost Fund $\text{III}_{\text{(Local Switching)}}$ to support local switching charges above $.0025 per minute. Support is provided to all ETCs on a per line basis. Local switching support would be calculated based upon the ILEC tariffs, with the local switching support based on the same minute-of-use demand projections used for creating tariffed local switching rates (with tariffed lines adjusted for projected line growth). HCF III-Local Switching support would not be subject to disaggregation and targeting.
- Lifeline – Existing rules automatically adjust Lifeline support to offset increased SLCs for Lifeline consumers.
- USF support is not optional -- all eligible areas receive USF support (unlike MAG).
- Incentive Regulation -- Incentive regulation is not a necessary component of universal service reform. Any incentive regulation plan should:
  - Not increase permitted revenues faster than under rate-of-return regulation, nor increase returns without any efficiency gains (as MAG would do).
  - Include an upfront reduction in permitted revenues (which MAG doesn't do).
  - Share the benefits of efficiency gains between the carrier and the universal service fund (which MAG doesn't do). This will reduce universal service support without impinging on the delivery of universal service.